

For certain information on possible banking requirements of US Army Forces in Europe, I had the opportunity of calling on Admiral W.M. Fechteler USN, C-in-C Allied Forces Southern Europe. The Admiral was very nice to me and said we are free to call on him whenever we feel he can be of any assistance to us in the future.

Business Trend - Apparently, the productive system has initiated - although very cautiously - an upward phase. At the base of it are factors of internal origin, principally the increased spending power of part of the population due to 1951 good crops, whose yield is estimated at 10% more than last year's, and to a larger public expenditure in Southern Italy. All this has boosted consumptions, the sales of durable goods and has favorable investments especially in the construction sector. The more and more widespread installment sales methods, consenting the anticipate spending of future income, are partly responsible for the pent-up sales of durable goods and for the favorable trend of investments.

In the foreign trade the horizon appears to be slightly clearing up. As it is, foreign business men, especially in the textile sectors, are intensifying their contacts with local manufacturers. This seems to be due to a somewhat larger liberalisation of imports by England, France and Austria and to some sizable barter business concluded with the Near and Far Eastern countries.

Italy's debt with her European trading partners of EPU continued to increase and stood at 30 million dollars at the end of October.

Political and Social - Floods of unprecedented violence swept through vast sections of the Country especially in the South. Damages are estimated at more than 15 billion lire. The Government have approved an appropriation of 12 billion lire for relief. Means to meet this emergency expenditure will be provided by a 5% increase of income taxes for a period of 6 months.

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The whole Country has focused its attention on the pressing issue of Trieste. The USA and British decision of October 8, 1951, to turn over to Italy Zone A of the Free Territory was welcomed by this Country as the first right step towards breaking the too long-lived deadlock.

The ensuing threats of Yugoslavia and the hesitancy of the Occupying Powers in carrying out their decision, caused, however, great disappointment to the Italian people and embarrassment to the Government. The prevailing opinion here, however, is that, without resorting to threats, and thanks to the firmness of Premier Pella's attitude and the cooperation of <sup>the</sup> Western Powers, a pacific solution must and will be eventually reached, either through a plebiscite, as suggested, or through some other democratic procedure primarily based on the will of the populations in the disputed areas. Such a solution would strengthen the present Cabinet, whose stability is certainly needed both internally and internationally.